
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549**

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2003

Commission File Number 0-2604

GENERAL BINDING CORPORATION

(Exact name of registrant as specified in its charter)

36-0887470

(I.R.S. employer identification No.)

Delaware

(State or other jurisdiction of incorporation or organization)

**One GBC Plaza,
Northbrook, Illinois 60062**

(Address of principal executive offices, including zip code)

(847) 272-3700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the close of the latest practicable date.

Indicate by checkmark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes X No

Class

Common Stock, \$0.125 par value

Class B Common Stock, \$0.125 par value

**Outstanding at
April 30, 2003**

13,559,467

2,398,275

GENERAL BINDING CORPORATION AND SUBSIDIARIES
FORM 10-Q
For the Quarter Ended March 31, 2003
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GENERAL BINDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(000 omitted)

	March 31, 2003 (unaudited)	December 31, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,080	\$ 18,251
Receivables, less allowances for doubtful accounts and sales returns: 2003 - \$17,381, 2002 - \$18,568	125,140	121,709
Inventories:		
Raw materials	22,832	23,140
Work in process	7,502	7,380
Finished goods	<u>59,208</u>	<u>61,400</u>
Total inventories	89,542	91,920
Deferred tax assets	21,154	20,804
Other	<u>17,243</u>	<u>14,109</u>
Total current assets	265,159	266,793
 Total capital assets at cost	 265,117	 261,987
Less - accumulated depreciation	<u>(160,757)</u>	<u>(155,110)</u>
Net capital assets	104,360	106,877
Goodwill and other intangible assets, net of accumulated amortization	156,188	156,156
Other	<u>26,322</u>	<u>24,683</u>
Total assets	<u><u>\$ 552,029</u></u>	<u><u>\$ 554,509</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 48,937	\$ 50,459
Accrued liabilities	83,096	86,579
Notes payable	9,216	10,806
Current maturities of long-term debt	<u>114,310</u>	<u>15,848</u>
Total current liabilities	255,559	163,692
Long-term debt, less current maturities	212,549	314,766
Other long-term liabilities	35,968	33,920
Stockholders' equity:		
Common stock	1,962	1,962
Class B common stock	300	300
Additional paid-in capital	26,147	23,561
Retained earnings	66,754	66,671
Treasury stock	(24,442)	(24,632)
Accumulated other comprehensive income	<u>(22,768)</u>	<u>(25,731)</u>
Total stockholders' equity	47,953	42,131
Total liabilities and stockholders' equity	<u><u>\$ 552,029</u></u>	<u><u>\$ 554,509</u></u>

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

GENERAL BINDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(000 omitted, except per share data)

	Three months ended March 31,	
	2003 (Unaudited)	2002 (Unaudited)
Net sales	\$ 169,435	\$ 172,262
Cost of sales:		
Product cost of sales, including development and engineering	101,965	106,322
Selling, service and administrative	57,549	55,485
Amortization of intangible assets	188	263
Restructuring and other:		
Restructuring	1,405	4,169
Other	-	625
Interest expense	9,298	10,292
Other (income) expense, net	<u>(325)</u>	<u>758</u>
Loss before income taxes and cumulative effect of accounting change	(645)	(5,652)
Income tax (benefit) expense	(728)	217
Cumulative effect of accounting change, net of taxes	<u>-</u>	<u>79,024</u>
Net income (loss)	<u><u>\$ 83</u></u>	<u><u>\$ (84,893)</u></u>
Other comprehensive income (loss), net of taxes:		
Foreign currency translation adjustments	2,010	(351)
Income on derivative financial instruments	<u>953</u>	<u>978</u>
Comprehensive income (loss)	<u><u>\$ 3,046</u></u>	<u><u>\$ (84,266)</u></u>
Earnings per common share (basic and diluted): (1)		
Before cumulative effect of accounting change	\$ 0.01	\$ (0.37)
Cumulative effect of accounting change	<u>-</u>	<u>(5.00)</u>
Net income (loss) per common share (basic and diluted)	<u><u>\$ 0.01</u></u>	<u><u>\$ (5.37)</u></u>
Weighted average number of common shares outstanding: (2)		
Basic	15,951	15,806
Diluted	16,206	15,806

(1) Amounts represent per share amounts for both Common Stock and Class B Common Stock.

(2) Weighted average shares includes both Common Stock and Class B Common Stock.

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

GENERAL BINDING CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(000 omitted)

	Three Months Ended March 31,	
	2003 (Unaudited)	2002 (Unaudited)
Operating activities:		
Net income (loss)	\$ 83	\$ (5,869)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation	5,615	5,996
Amortization	1,247	1,370
Restructuring and other	1,405	4,794
Provision for doubtful accounts and sales returns	772	1,229
Provision for inventory reserves	1,149	1,454
Non-cash sale of fixed assets	-	1,150
Increase in non-current deferred taxes	29	8,707
Increase in other long-term assets	(491)	(365)
Other	2,442	(207)
Changes in current assets and liabilities:	-	
(Increase) in receivables	(2,665)	(17,590)
Decrease in inventories	2,111	3,836
(Increase) in other current assets	(4,034)	(1,672)
(Increase) in deferred tax assets	(126)	(1,569)
(Decrease) increase in accounts payable and accrued liabilities	(6,168)	9,046
(Decrease) increase in income taxes payable	<u>(2,195)</u>	<u>1,308</u>
Net cash provided (used in) by operating activities	(826)	11,618
Investing activities:		
Capital expenditures	(1,423)	(1,688)
Payments for acquisitions and investments	(1,026)	-
Proceeds from sale of plant and equipment	<u>11</u>	<u>35</u>
Net cash used in investing activities	(2,438)	(1,653)
Financing activities:		
Repayments of long-term debt-maturities greater than 90 days	(74,625)	(151)
Net change in borrowings-maturities of 90 days or less	69,177	(48,740)
Payments of debt issuance costs	(20)	(2,967)
Contribution related to Tax Allocation Agreement	2,537	-
Purchases of treasury stock	-	(50)
Proceeds from the exercise of stock options	<u>128</u>	<u>284</u>
Net cash used in financing activities	(2,803)	(51,624)
Effect of exchange rates on cash	<u>(104)</u>	<u>145</u>
Net decrease in cash and cash equivalents	(6,171)	(41,514)
Cash and cash equivalents at the beginning of the year	<u>18,251</u>	<u>59,936</u>
Cash and cash equivalents at the end of the period	<u>\$ 12,080</u>	<u>\$ 18,422</u>
Supplemental disclosure:		
Interest paid	\$ 5,665	\$ 2,924
Income taxes paid (refunded)	(583)	(7,500)

The accompanying notes to condensed consolidated financial statements are an integral part of these statements.

GENERAL BINDING CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) Basis of Presentation

The condensed consolidated financial statements include the accounts of General Binding Corporation and its subsidiaries ("GBC" or the "Company"). These financial statements have been prepared by GBC, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. GBC believes that the disclosures included in these condensed consolidated financial statements are adequate to make the information presented not misleading. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and the notes thereto included in GBC's 2002 Annual Report on Form 10-K. In the opinion of management, all adjustments necessary to present fairly the financial position of GBC as of March 31, 2003 and December 31, 2002 and the results of their operations and cash flows for the three months ended March 31, 2003 and 2002 have been included. Operating results for any interim period are not necessarily indicative of results that may be expected for the full year.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain estimates by management in determining the entity's assets, liabilities, revenues and expenses. Such estimates and management judgement include the allowance for doubtful accounts and sales returns, allowances for slow-moving and obsolete inventory, and long lived assets. Actual results could differ from the estimates used by management.

Certain amounts for prior periods have been reclassified to conform to the 2003 presentation.

(2) Stock Compensation Plan

GBC has a stock-based employee compensation plan, that provides for stock options, and restricted stock units. The Company applies the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for these plans. In accordance with the intrinsic value method, no compensation expense is recognized for the Company's fixed stock option plans. The following table illustrates the effect on net income and earnings per share (EPS) if the company had applied the fair value provisions of SFAS No. 123, "Accounting for Stock-Based Compensation", to all stock-based employee compensation (000 omitted):

Three months ended March 31.

	<u>2003</u>	<u>2002</u>
Net income, as reported	<u>\$83</u>	<u>\$(84,893)</u>
Add: Stock-based employee compensation expense included in reported net income, net of tax	-	-
Deduct: Total stock-based employee compensation expense determined under the fair value method, net of tax	<u>\$(694)</u>	<u>\$(264)</u>
Pro forma net income	<u>\$(611)</u>	<u>\$(85,157)</u>
Earnings (loss) per share - basic and diluted		
As reported	<u>\$ 0.01</u>	<u>\$(5.37)</u>
Pro forma	<u>\$(0.04)</u>	<u>\$(5.39)</u>

Pro forma compensation expense for stock options was calculated using the Black-Scholes model, with the following weighted-average assumptions for grants in 2003 and 2002 respectively: expected life of ten years for 2003 and 2002; expected volatility of 56% and 50%; and risk-free interest rates of 3.78% and 4.86%. The weighted-average fair values of stock options granted during the periods were \$6.09 and \$8.68 in 2003 and 2002, respectively.

(3) Borrowings

A significant portion of GBC's long-term funding has been provided through its Revolving Credit Facility (the "Facility"), which was amended and restated in January 2002. A substantial portion of the Company's borrowings under the Facility has been classified as current maturities of long-term debt as the amount is payable on January 13, 2004. In April 2003, GBC borrowed \$13.2 million under a newly-established credit facility in The Netherlands. These funds were used to repay borrowings under the Facility.

GBC's borrowings consisted of the following at March 31, 2003 and December 31, 2002 (000 omitted):

	<u>March 31, 2003</u>	<u>December 31, 2002</u>
Revolving Credit Facility		
U.S. Dollar borrowings - Term A Notes due January 2004 - (weighted average floating interest rate of 8.50% at March 31, 2003 and 8.41% at December 31, 2002)	\$126,640	\$130,390
U.S. Dollar borrowings - Term B Notes due July 2004 - (weighted average floating interest rate of 9.34% at March 31, 2003 and 9.80% at December 31, 2002)	39,610	39,610
Industrial Revenue/Development Bonds ("IRB" or "IDB")		
IDB, due March 2026 - (floating interest rate of 1.25% at March 31, 2003 and 1.65% at December 31, 2002)	6,840	6,855
IRB, due annually from July 1994 to July 2008 - (floating interest rate of 1.43% at March 31, 2002 and 1.86% at December 31, 2002)	1,150	1,150
Notes Payable		
Senior Subordinated Notes, U.S. Dollar borrowing, due 2008 - (fixed		

interest rate of 9.375%)	150,000	150,000
Note payable, Dutch Guilder borrowing, due monthly to October 2004 - (fixed interest rate of 8.85%)	166	525
Other borrowings	<u>11,669</u>	<u>12,890</u>
Total debt	336,075	341,420
Less-current maturities	<u>(123,526)</u>	<u>(26,654)</u>
Total long-term debt	<u>\$212,549</u>	<u>\$314,766</u>

(4) Earnings Per Share

GBC's Certificate of Incorporation provides for 40,000,000 authorized shares of common stock, \$0.125 par value per share, and 4,796,550 shares of Class B common stock, \$0.125 par value per share. Each Class B share is entitled to 15 votes and is to be automatically converted into one share of common stock upon transfer thereof. All of the Class B shares are owned by Lane Industries, Inc., GBC's majority stockholder.

The following table illustrates the computation of basic and diluted earnings per share (000 omitted except per share data):

	<u>Three months ended March 31,</u>	
	<u>2003</u>	<u>2002</u>
Numerator:		
Net income (loss) available to common shareholders	<u>\$ 83</u>	<u>\$(5,869)</u>
Denominator:		
Denominator for basic earnings per share – Weighted average number of common Shares outstanding (1)	15,951	15,806
Effect of dilutive securities:		
Employee stock options (3)	107	-
Restricted stock units (3)	<u>148</u>	<u>-</u>
Denominator for diluted earnings per share – Adjusted weighted-average shares (1) and assumed conversions	<u>16,206</u>	<u>15,806</u>
Earnings (loss) per share – basic and diluted (2)	<u>\$ 0.01</u>	<u>\$(0.37)</u>

- (1) Weighted average shares includes both Common Stock and Class B Common Stock.
- (2) Amounts represent per share amounts for both Common Stock and Class B Common Stock.
- (3) As of March 31, 2003, GBC had 1,066,584 stock options outstanding with an exercise or conversion price below the market value on that date.

(5) Restructuring and Other

During the first quarter of 2003, GBC recorded additional restructuring charges of \$1.4 million related to the subleasing of a manufacturing facility in Buffalo Grove, Illinois. The additional charge represents the incremental difference between GBC's obligation under the lease and the rental payments to be received from the subtenant. During the first quarter of 2002, GBC recorded restructuring charges of \$4.2 million, which primarily consisted of \$3.1 million related to the closure of the Buffalo Grove plant, and \$0.9 million related to the downsizing of a facility in Amelia, Virginia. The restructuring expenses primarily consisted of severance and related benefit expenses, asset write-offs, contractual lease payments and

other costs related to exit activities at the affected facilities. The operations currently performed at these locations were absorbed into existing GBC facilities. The exit activities were completed by the end of the first quarter of 2003.

The components of the restructuring expenses are as follows (000 omitted):

	<u>Three months ended March 31,</u>	
	<u>2003</u>	<u>2002</u>
Severance and early retirement benefits	\$ -	\$1,658
Asset write-offs and write-downs	-	1,435
Contractual lease expenses	1,405	845
All other restructuring expenses	<u>-</u>	<u>231</u>
Total restructuring expenses	<u>\$1,405</u>	<u>\$4,169</u>

Management believes that the restructuring provisions recorded will be adequate to cover estimated restructuring costs that will be paid in future periods. The balance in the restructuring reserve at March 31, 2003 is primarily related to asset write downs, contractual lease expenses, severance, early retirement and other benefit expenses to be paid in future periods.

Changes in the restructuring reserve for the three months ended March 31, 2003 were as follows (000 omitted):

	<u>Severance</u>	<u>Asset Impairment and Other Exit Costs</u>	<u>Contractual Lease Expenses</u>	<u>Total</u>
Balance at December 31, 2002	\$ 4,026	\$ 810	\$ 700	\$ 5,536
Activities during the year:				
Provisions	-	-	1,405	1,405
Cash charges	(1,060)	(63)	(158)	(1,281)
Non-cash charges	<u>-</u>	<u>11</u>	<u>-</u>	<u>11</u>
Balance at March 31, 2003	<u>\$ 2,966</u>	<u>\$ 758</u>	<u>\$ 1,947</u>	<u>\$ 5,671</u>

During 2002 GBC incurred certain other unusual expenses in the amount of \$0.6 million related to facility closures and other transitions.

(6) Business Segments

During 2002, GBC evaluated its organization and created two new business groups - Commercial and Consumer Group ("CCG") and Industrial and Print Finishing Group ("IPFG"). CCG was created through the combination of the former Document Finishing and Office Products Groups and is responsible for marketing the Company's binding, laminating, visual display (writing boards, bulletin boards, easels, etc.), and other products for use by consumers and commercial customers. The Industrial and Print Finishing Group, which is comprised of the former Films Group and what was the Automated Products division of the Document Finishing Group, targets "print-for-pay" and other finishing customers who use

GBC's professional grade finishing equipment and supplies. GBC's internal management reporting was not modified in 2002 or in the first quarter of 2003 to reflect the new business groups; therefore, the Company's segment reporting continues to be presented based upon four primary disaggregated business groups - Document Finishing, Films, Office Products and Europe.

The Office Products Group's revenues are primarily derived from the sale of binding and laminating equipment and supplies, document shredders, visual display products and desktop accessories through indirect channels (resellers) including office product superstores, contract/commercial stationers, wholesalers, mail order companies and retail dealers. The Document Finishing Group's revenues are primarily derived from sales of binding and punching equipment and related supplies, custom binders and folders, and maintenance and repair services. The Films Group's revenues are primarily derived through sales of thermal and pressure sensitive films, mid-range and commercial high-speed laminators and large-format digital print laminators. The Document Finishing Group's and the Films Group's products and services are sold through direct and dealer channels to the general office markets, commercial reprographic centers, educational and training markets, commercial printers, and to government agencies. The Europe Group distributes the Office Products and Document Finishing Groups' products to customers in Europe.

Expenses incurred by the four reportable segments described above relate to costs incurred to manufacture or purchase products, as well as selling, general and administrative costs. The Other category presented below includes the results of other entities not assigned to one of the four reportable segments. For internal management purposes and the presentation below, operating income is calculated as net sales less (i) product cost of sales, (ii) selling, service and administrative expenses and (iii) amortization of other intangibles.

GBC does not separately identify interest expense or income taxes for its operating segments. Additionally, certain expenses of a corporate nature and certain shared service expenses are not allocated to the business groups. Sales between business groups are recorded at cost for domestic business units, and cost plus a normal profit margin for sales between domestic and international business units. GBC's business groups record expenses for certain services provided and expense allocations; however, the charges and allocations between business groups are not significant.

Certain segment information for the three months ended March 31, 2002 has been reclassified to conform to the current year presentation. Certain corporate costs formerly included in "all other" have now been reflected in "unallocated corporate items" in the Company's reconciliation of total segment operating income to income before taxes and cumulative effect of accounting change. Segment data is provided below for the three months ended March 31, 2003 and 2002 (000 omitted).

	Unaffiliated Customer Sales		Affiliated Customer Sales	
	Three months ended March 31,		Three months ended March 31,	
	2003	2002	2003	2002
Office Products	\$ 50,758	\$ 54,788	\$ 2,494	\$ 587
Document Finishing	46,776	45,022	2,082	4,512
Films	35,194	35,037	5,199	5,070
Europe	26,331	26,512	3,516	3,334
Other	10,376	10,903	-	-
Eliminations	-	-	(13,291)	(13,503)
Total	<u>\$ 169,435</u>	<u>\$ 172,262</u>	<u>\$ -</u>	<u>\$ -</u>
	Total Segment Assets		Operating Income	
	March 31,		Three months ended March 31,	
	2003	2002	2003	2002
Office Products	\$ 303,733	301,677	\$ 4,718	\$ 5,710
Document Finishing	188,903	185,234	4,537	5,299
Films	239,100	244,039	5,942	6,019
Europe	125,047	126,511	1,288	846
Other	81,073	83,462	383	144
Unallocated Corporate Items	62,708	67,678	(7,135)	(7,826)
Eliminations	(448,535)	(454,092)	-	-
Total	<u>\$ 552,029</u>	<u>\$ 554,509</u>	<u>\$ 9,733</u>	<u>\$ 10,192</u>

The following is a reconciliation of segment operating income to income before taxes and cumulative effect of accounting change:

	Three months ended March 31,	
	2003	2002
Total segment operating income	\$ 9,733	\$ 10,192
Interest expense	(9,298)	(10,292)
Restructuring and other expenses	(1,405)	(4,794)
Other income (expense)	<u>325</u>	<u>(758)</u>
Income before taxes and cumulative effect of accounting change	<u>\$ (645)</u>	<u>\$ (5,652)</u>

GBC's products are sold primarily in North America, Latin America, Europe, Japan and Australia to office products resellers and directly to end-users in the business, education, commercial/professional and government markets. GBC has a large base of customers; however, the loss of, or major reduction in business or failure to collect receivables from, one or more of GBC's major customers could have a material adverse effect on GBC's financial position or results of operations.

Financial information for the three months ended March 31, 2003 and 2002, by geographical area is summarized below (000 omitted).

	Unaffiliated Customer Sales		Total Long-Lived Assets	
	Three months ended March 31,		March 31,	December 31,
	2003	2002	2003	2002
US	\$ 105,620	\$ 109,367	\$ 353,807	\$ 352,677
Europe	36,593	35,079	17,606	17,932
Other International	27,222	27,816	21,379	21,215
Eliminations	-	-	(105,922)	(104,108)
	<u>\$ 169,435</u>	<u>\$ 172,262</u>	<u>\$ 286,870</u>	<u>\$ 287,716</u>

(7) New Accounting Standards

In July 2002, the FASB issued SFAS No.146, “Accounting for Costs Associated with Exit and Disposal Activities.” This statement revises the accounting for exit and disposal activities under EITF Issue No. 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity,” by spreading out the reporting of expenses related to restructuring activities. Commitment to a plan to exit an activity or dispose of long-lived assets will no longer be sufficient to record a one-time charge for most anticipated costs. Instead, companies will record exit or disposal costs when they are “incurred” and can be measured at fair value, and they will subsequently adjust the recorded liability for changes in estimated cash flows. The provisions of SFAS No.146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Companies may not restate previously issued financial statements for the effect of the provisions of SFAS No. 146, and liabilities that a company previously recorded under EITF Issue 94-3 are grandfathered. The Company does not believe that the adoption of SFAS No.146 will have a material impact on its consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, “Guarantor’s Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others” (FIN No. 45). The initial recognition and measurement provisions of this interpretation, which require a guarantor to recognize a liability at the inception of a guarantee at fair value, are effective on a prospective basis to guarantees issued or modified after January 1, 2003. GBC does not believe that the adoption of FIN No. 45 will have a material impact on its consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, “Accounting for Stock Compensation – Transition and Disclosure” (SFAS No. 148), which amends SFAS No. 123. The new standard provides alternative methods for transition to the fair value-based method of accounting for stock-based employee compensation from the intrinsic method. GBC currently accounts for stock-based employee compensation under the intrinsic method and has not made a determination as to when, or if, the Company would change to the fair value-based method. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The required disclosures were adopted in the Company’s 2002 consolidated financial statements.

(8) Goodwill and Other Intangible Assets

In accordance with SFAS No. 142, GBC tests its goodwill balances to determine whether these assets were impaired. The annual impairment test is performed as of January 1. In 2003, it was determined that the Company's goodwill balances were not impaired. After making that test in 2002, GBC recorded a non-cash impairment charge of \$110 million (\$79 million after-tax), primarily related to the impairment of goodwill in the Office Products Group.

SFAS No. 142 also requires that previously recognized intangible assets, other than goodwill, be reassessed to determine the appropriateness of the estimated useful lives of these assets. Intangible assets determined to have finite lives are amortized over those lives, and intangible assets that have indefinite lives are not amortized. As of March 31, 2003, there have been no events or circumstances which would warrant a revision to the remaining useful lives of these assets.

GBC's other intangible assets as of March 31, 2003 and December 31, 2002 are summarized below (000 omitted):

	<u>Gross Carrying Amount at</u>		<u>Accumulated Amortization at</u>	
	<u>March 31,</u>	<u>December 31,</u>	<u>March 31,</u>	<u>December 31,</u>
	<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002</u>
Customer agreements and relationships	\$7,000	\$7,000	\$(3,295)	\$(3,107)
Patents	<u>1,464</u>	<u>1,464</u>	<u>(952)</u>	<u>(878)</u>
Total	<u>\$8,464</u>	<u>\$8,464</u>	<u>\$(4,247)</u>	<u>\$(3,985)</u>

Amortization expense related to GBC's other intangible assets is summarized below (000 omitted):

<u>Fiscal year ended December 31,</u>	<u>Amortization</u>
	<u>Expense</u>
2003	\$1,047
2004	1,047
2005	754
2006	754
2007	754

(9) Subsidiary Guarantor Information

During 1998, GBC issued \$150 million of 9.375% Senior Subordinated Notes which are due in 2008. Each of GBC's domestic restricted subsidiaries has jointly and severally, fully and unconditionally guaranteed the Senior Subordinated Notes. Rather than filing separate financial statements for each guarantor subsidiary with the Securities and Exchange Commission, GBC has elected to present the following consolidating financial statements which detail the results of operations, financial position and cash flows of the Parent, Guarantors, and Non-Guarantors (in each case carrying investments under the equity method), and the eliminations necessary to arrive at the information for GBC on a

consolidated basis.

Consolidating Balance Sheets (000 omitted)

	March 31, 2003				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 5,549	\$ 1	\$ 6,530	\$ -	\$ 12,080
Receivables, net	68,594	36	56,510	-	125,140
Inventories, net	54,117	537	34,888	-	89,542
Deferred tax assets	17,537	1,814	1,803	-	21,154
Other	7,248	16	9,979	-	17,243
Due from affiliates	<u>17,881</u>	<u>26,417</u>	<u>5,397</u>	<u>(49,695)</u>	<u>-</u>
Total current assets	170,926	28,821	115,107	(49,695)	265,159
Net capital assets	70,256	6,741	27,363	-	104,360
Goodwill and other intangibles, net of accumulated amortization	127,277	22,394	6,517	-	156,188
Other	5,358	16,840	4,124	-	26,322
Investment in subsidiaries	<u>140,203</u>	<u>145,040</u>	<u>-</u>	<u>(285,243)</u>	<u>-</u>
Total assets	<u>\$ 514,020</u>	<u>\$ 219,836</u>	<u>\$ 153,111</u>	<u>\$ (334,938)</u>	<u>\$ 552,029</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	\$ 34,081	\$ 887	\$ 13,969	\$ -	\$ 48,937
Accrued liabilities	54,896	1,910	26,290	-	83,096
Notes payable	-	-	9,216	-	9,216
Current maturities of long-term debt	113,610	-	700	-	114,310
Due to affiliates	<u>24,449</u>	<u>-</u>	<u>11,615</u>	<u>(36,064)</u>	<u>-</u>
Total current liabilities	227,036	2,797	61,790	(36,064)	255,559
Long-term debt - affiliated	6,224	-	3,908	(10,132)	-
Long-term debt, less current maturities	210,630	-	1,919	-	212,549
Other long-term liabilities	22,177	182	13,609	-	35,968
Stockholders' equity:					
Common stock	1,962	5	2,332	(2,337)	1,962
Class B common stock	300	-	-	-	300
Additional paid-in capital	26,147	118,281	164,157	(282,438)	26,147
Retained earnings	66,754	119,235	(72,920)	(46,315)	66,754
Treasury stock	(24,442)	-	-	-	(24,442)
Accumulated other comprehensive income	<u>(22,768)</u>	<u>(20,664)</u>	<u>(21,684)</u>	<u>42,348</u>	<u>(22,768)</u>
Total stockholders' equity	<u>47,953</u>	<u>216,857</u>	<u>71,885</u>	<u>(288,742)</u>	<u>47,953</u>
Total liabilities and stockholders' equity	<u>\$ 514,020</u>	<u>\$ 219,836</u>	<u>\$ 153,111</u>	<u>\$ (334,938)</u>	<u>\$ 552,029</u>

Consolidating Balance Sheets (000 omitted)

	December 31, 2002				
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 12,747	\$ 2	\$ 5,502	\$ -	\$ 18,251
Receivables, net	67,810	25	53,874	-	121,709
Inventories, net	56,248	394	35,278	-	91,920
Deferred tax assets	17,714	1,741	1,349	-	20,804
Other	4,018	15	10,076	-	14,109
Due from affiliates	<u>12,561</u>	<u>28,953</u>	<u>7,739</u>	<u>(49,253)</u>	<u>-</u>
Total current assets	171,098	31,130	113,818	(49,253)	266,793
Net capital assets	71,832	6,980	28,065	-	106,877
Goodwill and other intangibles, net of accumulated amortization	127,539	22,394	6,223	-	156,156
Other	9,187	11,640	3,856	-	24,683
Investment in subsidiaries	<u>134,327</u>	<u>139,265</u>	<u>-</u>	<u>(273,592)</u>	<u>-</u>
Total assets	<u>\$ 513,983</u>	<u>\$ 211,409</u>	<u>\$ 151,962</u>	<u>\$ (322,845)</u>	<u>\$ 554,509</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	\$ 36,044	\$ 987	\$ 13,428	\$ -	\$ 50,459
Accrued liabilities	57,391	2,476	26,712	-	86,579
Notes payable	-	-	10,806	-	10,806
Current maturities of long-term debt	15,150	-	698	-	15,848
Due to affiliates	<u>24,135</u>	<u>-</u>	<u>11,961</u>	<u>(36,096)</u>	<u>-</u>
Total current liabilities	132,720	3,463	63,605	(36,096)	163,692
Long-term debt - affiliated	6,224	-	4,958	(11,182)	-
Long-term debt, less current maturities	312,855	-	1,911	-	314,766
Other long-term liabilities	20,053	183	13,684	-	33,920
Stockholders' equity:					
Common stock	1,962	5	2,332	(2,337)	1,962
Class B common stock	300	-	-	-	300
Additional paid-in capital	23,561	117,733	164,157	(281,890)	23,561
Retained earnings	66,671	113,702	(75,518)	(38,184)	66,671
Treasury stock	(24,632)	-	-	-	(24,632)
Accumulated other comprehensive income	<u>(25,731)</u>	<u>(23,677)</u>	<u>(23,167)</u>	<u>46,844</u>	<u>(25,731)</u>
Total stockholders' equity	<u>42,131</u>	<u>207,763</u>	<u>67,804</u>	<u>(275,567)</u>	<u>42,131</u>
Total liabilities and stockholders' equity	<u>\$ 513,983</u>	<u>\$ 211,409</u>	<u>\$ 151,962</u>	<u>\$ (322,845)</u>	<u>\$ 554,509</u>

Consolidating Income Statements (000 omitted)

Three months ended March 31, 2003					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Unaffiliated sales	\$ 105,620	\$ -	\$ 63,815	\$ -	\$ 169,435
Affiliated sales	<u>10,767</u>	<u>-</u>	<u>7,444</u>	<u>(18,211)</u>	<u>-</u>
Net sales	116,387	-	71,259	(18,211)	169,435
Cost of sales, including development and engineering	74,278	185	45,713	(18,211)	101,965
Selling, service and administrative	37,497	-	20,052	-	57,549
Amortization of intangible assets	188	-	-	-	188
Restructuring and other:					
Restructuring	1,405	-	-	-	1,405
Other	-	-	-	-	-
Interest expense	9,078	60	299	(139)	9,298
Other (income) expense	<u>(438)</u>	<u>(588)</u>	<u>562</u>	<u>139</u>	<u>(325)</u>
(Loss) income before taxes and undistributed earnings of wholly owned subsidiaries	(5,621)	343	4,633	-	(645)
Income (benefits) taxes	<u>(2,718)</u>	<u>137</u>	<u>1,853</u>	<u>-</u>	<u>(728)</u>
(Loss) income before undistributed earnings of wholly owned subsidiaries	(2,903)	206	2,780	-	83
Undistributed earnings (losses) of wholly-owned subsidiaries	<u>2,986</u>	<u>3,498</u>	<u>-</u>	<u>(6,484)</u>	<u>-</u>
Net income (loss)	<u>\$ 83</u>	<u>\$ 3,704</u>	<u>\$ 2,780</u>	<u>\$ (6,484)</u>	<u>\$ 83</u>

Three months ended March 31, 2002					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Unaffiliated sales	\$ 109,367	\$ -	\$ 62,895	\$ -	\$ 172,262
Affiliated sales	<u>10,404</u>	<u>-</u>	<u>3,800</u>	<u>(14,204)</u>	<u>-</u>
Net sales	119,771	-	66,695	(14,204)	172,262
Cost of sales, including development and engineering	77,075	77	43,374	(14,204)	106,322
Selling, service and administrative	36,916	(10)	18,579	-	55,485
Amortization of intangible assets	263	-	-	-	263
Restructuring and other:					
Restructuring	4,061	-	108	-	4,169
Other	625	-	-	-	625
Interest expense	10,013	86	580	(387)	10,292
Other expense (income)	<u>156</u>	<u>(281)</u>	<u>496</u>	<u>387</u>	<u>758</u>
(Loss) income before taxes and undistributed earnings of wholly owned subsidiaries	(9,338)	128	3,558	-	(5,652)
Income (benefits) taxes	<u>(2,720)</u>	<u>1,336</u>	<u>1,601</u>	<u>-</u>	<u>217</u>
Cumulative effect of accounting change, net of taxes	<u>34,428</u>	<u>(21,695)</u>	<u>66,291</u>	<u>-</u>	<u>79,024</u>
(Loss) income before undistributed earnings of wholly owned subsidiaries	(41,046)	20,487	(64,334)	-	(84,893)
Undistributed earnings (losses) of wholly-owned subsidiaries	<u>(43,847)</u>	<u>2,840</u>	<u>-</u>	<u>41,007</u>	<u>-</u>
Net (loss) income	<u>\$ (84,893)</u>	<u>\$ 23,327</u>	<u>\$ (64,334)</u>	<u>\$ 41,007</u>	<u>\$ (84,893)</u>

Consolidating Statement of Cash Flows (000 omitted)

Three months ended March 31, 2003					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by operating activities	\$ (5,155)	\$ 9	\$ 4,320	\$ -	\$ (826)
Investing activities:					
Capital expenditures	(947)	(10)	(466)	-	(1,423)
Payments of acquisitions and investments	(1,026)	-	-	-	(1,026)
Proceeds from sale of plant and equipment	-	-	11	-	11
Net cash used in investing activities	(1,973)	(10)	(455)	-	(2,438)
Financing activities:					
Increase (reduction) in intercompany borrowings	1,050	-	(1,050)	-	-
Repayments of long-term debt-maturities greater than 90 days	(74,625)	-	-	-	(74,625)
Net change in borrowings-maturities of 90 days or less	70,860	-	(1,683)	-	69,177
Contribution related to Tax Allocation Agreement	2,537				2,537
Payments of debt issuance costs	(20)				(20)
Proceeds from the exercise of stock options	128	-	-	-	128
Net cash used in financing activities	(70)	-	(2,733)	-	(2,803)
Effect of exchange rates on cash	-	-	(104)	-	(104)
Net (decrease) increase in cash & cash equivalents	(7,198)	(1)	1,028	-	(6,171)
Cash and cash equivalents at the beginning of the year	12,747	2	5,502	-	18,251
Cash and cash equivalents at the end of the period	<u>\$ 5,549</u>	<u>\$ 1</u>	<u>\$ 6,530</u>	<u>\$ -</u>	<u>\$ 12,080</u>

Three months ended March 31, 2002					
	Parent	Guarantors	Non-Guarantors	Eliminations	Consolidated
Net cash provided by operating activities	\$ 3,175	\$ 157	\$ 8,286	\$ -	\$ 11,618
Investing activities:					
Capital expenditures	(962)	(157)	(569)	-	(1,688)
Proceeds from sale of plant and equipment	27	-	8	-	35
Net cash used in investing activities	(935)	(157)	(561)	-	(1,653)
Financing activities:					
Increase (reduction) in intercompany borrowings	6,213	-	(6,213)	-	-
Repayments of long-term debt-maturities greater than 90 days	-	-	(151)	-	(151)
Net change in borrowings-maturities of 90 days or less	(49,500)	-	760	-	(48,740)
Payments of debt issuance costs	(2,967)	-	-	-	(2,967)
Purchases of treasury stock	(50)	-	-	-	(50)
Proceeds from the exercise of stock options	284	-	-	-	284
Net cash used in financing activities	(46,020)	-	(5,604)	-	(51,624)
Effect of exchange rates on cash	-	-	145	-	145
Net (decrease) increase in cash & cash equivalents	(43,780)	-	2,266	-	(41,514)
Cash and cash equivalents at the beginning of the year	56,236	2	3,698	-	59,936
Cash and cash equivalents at the end of the period	<u>\$ 12,456</u>	<u>\$ 2</u>	<u>\$ 5,964</u>	<u>\$ -</u>	<u>\$ 18,422</u>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following narrative discusses the results of operations, liquidity and capital resources for GBC on a consolidated basis. This section should be read in conjunction with GBC's Annual Report on Form 10-K for the fiscal year ended December 31, 2002. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein.

Results of Operations – Quarter Ended March 31, 2003 compared to Quarter Ended March 31, 2002

Sales

GBC's net sales for the first quarter of 2003 decreased 1.6% to \$169.4 million compared to the first quarter of 2002. The Company's net sales were favorably impacted by a weaker US dollar in 2003 compared to 2002. Excluding the effect of foreign exchange rates, sales decreased approximately 6% in the first quarter of 2003 compared to 2002. Net sales by business segment are summarized below (000 omitted):

	Three months ended March 31,	
	2003	2002
Office Products Group	\$ 50,758	\$ 54,788
Document Finishing Group	46,776	45,022
Films Group	35,194	35,037
Europe Group	26,331	26,512
Other	10,376	10,903
Net Sales	<u>\$169,435</u>	<u>\$172,262</u>

The Office Products Group's sales decreased \$4.0 million or 7.4% for the first quarter of 2003 when compared to 2002, primarily due to lower demand in most of its channels. Sales for the Document Finishing Group increased by \$1.8 million or 3.9% in the first quarter of 2003 when compared to the prior year primarily due to higher sales of OEM three-ring binders. The stronger Euro favorably impacted the Films Group's net sales in 2003. Excluding the effect of foreign exchange rates, the Films Group's revenues declined by approximately 5%, primarily due to weakness in the US Commercial Film and Education markets. While sales in Europe were relatively flat in 2003 compared to 2002, the effect of exchange rates favorably effected the Group's sales by approximately 17%. The decline in local currency revenues is largely due to weak market conditions in several European countries.

Gross Margins, Costs and Expenses

GBC's gross profit margin in the first quarter of 2003 increased by \$1.5 million or 1.5% compared to the first quarter of 2002. Compared to prior year, gross profit margin percentages increased in all business units, except for the Document Finishing Group, which was negatively impacted due to a shift in sales to lower margin OEM binder products. The improvement in business unit gross profit margin is primarily a result of GBC's continuing emphasis on efficiencies and cost reductions through its Operational Excellence Program.

Total selling, service and administrative expenses increased \$2.1 million or 3.7% in the first quarter of 2003 compared to 2002 primarily due to the adverse effect of exchange rate movements on international expenses as well as planned spending on certain new sales and marketing initiatives. Selling, service and administrative expenses as a percentage of sales, increased to 34.0% in the first quarter of 2003 from 32.2% in 2002.

Operating Income

Segment operating income for GBC's business groups, which is calculated as net sales less product cost of sales, selling, service and administrative expenses and amortization of other intangibles, is summarized below (000 omitted):

	Segment Operating Income Three months ended March 31,	
	2003	2002
Office Products	\$ 4,718	\$ 5,710
Document Finishing	4,537	5,299
Films	5,942	6,019
Europe	1,288	846
Other	383	144
Unallocated corporate items	<u>(7,135)</u>	<u>(7,826)</u>
Total	<u>\$9,733</u>	<u>\$10,192</u>

Operating income for the first quarter of 2003 decreased 4.5% or \$0.5 million compared to 2002. Operating income in the Office Products Group decreased by \$1.0 million in the first quarter of 2003 primarily due to the lower level of sales. Operating income in the Document Finishing Group decreased \$0.8 million in the first quarter of 2003 primarily due to increased sales of lower margin OEM binder products. The Films Group's operating income remained relatively flat in the first quarter of 2003 compared to 2002. The operating income decreases experienced by the Office Products and Films Groups were partially offset by improved operating income in Europe by \$0.4 million in the first quarter of 2003 compared to 2002, as well as lower corporate expenses.

Restructuring and Other

In 2003, GBC recorded a pre-tax restructuring charge of \$1.4 million related to the subleasing of a manufacturing facility as part of a previously-announced rationalization. During the first quarter of 2002, GBC recorded a \$4.8 million charge for restructuring and other expenses related to the closure of a plant in Buffalo Grove, Illinois and the downsizing and repositioning of a facility in Virginia.

Interest Expense

Interest expense decreased by \$1.0 million to \$9.3 million in the first quarter of 2003 compared to 2002, as a result of lower average outstanding borrowings.

Other (Income) Expense

Other income totalled \$0.3 million in the first quarter of 2003, compared to expense of \$0.7 million in 2002. The most significant item effecting the change in other income between 2002 and 2003 was a non-cash loss of \$1.1 million on the 2002 sale of a previously-closed facility in Mexico.

Cumulative Effect of Accounting Change

Effective January 1, 2002 GBC implemented SFAS No. 142, "Goodwill and Other Intangible Assets." In accordance with SFAS No. 142, the Company tested its goodwill balances to determine whether these assets were impaired. Based upon the testing performed, GBC recorded a non-cash impairment charge of \$110 million (\$79 million, net of tax), primarily related to the impairment of goodwill in the Office Products Group.

Income Taxes

GBC recorded an income tax benefit of \$0.7 million in the first quarter of 2003 on pre-tax income of \$0.6 million due to adjustments arising from the reconciliation of the 2002 U.S. Federal income tax return, along with certain state income tax refunds.

GBC recorded income tax expense of \$0.2 million for the first quarter of 2002 on a pre-tax loss of \$5.7 million. The tax provision was impacted by the restructuring and other charges that were recorded during the quarter, as well as changes in U.S. tax laws. The new tax legislation, signed into law on March 9, 2002, enabled GBC to carry back its 2001 domestic tax loss to 1996 and 1997. The carry back generated a \$7.5 million tax refund that was received in March 2002 and reduced previously utilized tax credits. The tax credits became deferred tax assets which GBC was not able to use before the expiration of the carryover period. The resulting write-off of these deferred tax assets created additional

income tax expense of \$1.5 million, which was recorded in the first quarter of 2002. In the first quarter of 2002, GBC also settled a U.S. Federal income tax contingency resulting in a refund of approximately \$0.9 million which is reflected as a reduction to GBC's first quarter 2002 income tax provision.

Net Income (Loss)

GBC had net income of \$0.1 million for the first quarter of 2003 (\$0.01 per share), compared to a net loss of \$84.9 million for the first quarter of 2002 (\$5.37 per share). The net loss in the first quarter of 2002 was due primarily to the Cumulative Effect of Accounting Change of \$79.0 million, net of taxes, along with higher restructuring and other costs.

Liquidity and Capital Resources

Management assesses the Company's liquidity in terms of its overall debt capacity and ability to generate cash from operations to fund its operating activities, capital needs and debt service requirements. Significant factors affecting liquidity are cash flows generated from operating activities, capital expenditures, interest and debt service requirements, adequate bank lines of credit and financial flexibility to attract long-term capital with satisfactory terms. GBC's primary sources of liquidity and capital resources are internally-generated cash flows, and borrowings under GBC's revolving credit facility.

GBC's primary source of liquidity is a multicurrency revolving credit facility established on January 13, 1997 with a group of international financial institutions (the "Facility"). As of March 31, 2003, the facility was comprised of an \$80 million multicurrency revolving credit facility and term loans totaling \$166.3 million.

The Facility was further reduced in April 2003, primarily as a result of the Company applying \$13.2 million of proceeds from a new credit facility in the Netherlands to repay a portion of the "Term A" loans outstanding under the Facility. Under the terms of the Facility, the size of the revolving credit portion of the Facility will be further reduced to \$60 million on July 13, 2003. The maturity date of the Facility is January 13, 2004, except for approximately \$40 million of the term loans which mature on July 13, 2004. The portion of the facility that matures on January 13, 2004 has been classified as current maturities of long-term debt on GBC's March 31, 2003 balance sheet.

GBC is subject to certain financial covenants under the Facility. Under the most restrictive covenants, GBC must meet certain minimum EBITDA (as defined under the terms of the Facility) targets, as well as leverage and interest coverage ratios. In addition, the amount of credit availability is based on a "Borrowing Base" comprised of certain of the Company's trade receivables and inventory.

There also are restrictions on dividend payments, acquisitions, additional indebtedness, and capital expenditures. Substantially all of the assets of General Binding Corporation and its domestic subsidiaries remain pledged as collateral, as well as a portion of the equity in certain foreign subsidiaries.

As of March 31, 2003, GBC was in compliance with all covenants under the Facility.

Based upon its current financial forecast, the Company expects to remain in compliance with the covenants under the Facility. The financial forecast assumes that there will be no further significant deterioration of worldwide economic conditions and that certain objectives of the Operational Excellence Program will be achieved. If the economic prospects in the markets in which GBC does business and/or certain goals and objectives of the Operational Excellence Program are not met, it is possible that the Company will fail one or more of its covenants. In that situation, if GBC were unable to obtain an amendment to the Facility or a waiver in the event of a major covenant violation, the Company's liquidity would be adversely impacted to a significant degree.

Cash used by operating activities was \$0.8 million for the three months ended March 31, 2003, compared to \$11.6 million of cash provided by operations for the same period in 2002. Included in the results of 2002 was an income tax refund of approximately \$7.5 million.

Net cash used in investing activities was \$2.4 million during 2003, compared to \$1.7 million in 2002.

Net cash used in financing activities was \$2.8 million during 2003, compared to \$51.6 million during 2002. In order to ensure adequate liquidity while the amendment of the Revolving Credit Facility was being negotiated, GBC maintained higher than normal short-term investments through additional borrowings at December 31, 2001. After the Credit Facility extension was completed in January 2002, GBC used the excess cash and investment balances to repay approximately \$52.8 million of borrowings under the Facility.

GBC has been restricted from paying dividends since the 1999 amendment and restatement of the Facility, and therefore no dividends were paid during the first quarters of 2003 and 2002.

New Accounting Standards

In July 2002, the FASB issued SFAS No.146, "Accounting for Costs Associated with Exit and Disposal Activities." This statement revises the accounting for exit

and disposal activities under EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and other Costs to Exit an Activity," by spreading out the reporting of expenses related to restructuring activities. Commitment to a plan to exit an activity or dispose of long-lived assets will no longer be sufficient to record a one-time charge for most anticipated costs. Instead, companies will record exit or disposal costs when they are "incurred" and can be measured at fair value, and they will subsequently adjust the recorded liability for changes in estimated cash flows. The provisions of SFAS No. 146 are effective prospectively for exit or disposal activities initiated after December 31, 2002. Companies may not restate previously issued financial statements for the effect of the provisions of SFAS No. 146, and liabilities that a company previously recorded under EITF Issue 94-3 are grandfathered. GBC does not believe that the adoption of SFAS No. 146 will have a material impact on its consolidated financial statements.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees of Indebtedness of Others" (FIN No. 45). The initial recognition and measurement provisions of this interpretation, which require a guarantor to recognize a liability at the inception of a guarantee at fair value, are effective on a prospective basis to guarantees issued or modified after January 1, 2003. GBC does not believe that the adoption of FIN No. 45 will have a material impact on its consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock Compensation – Transition and Disclosure" (SFAS No. 148), which amends SFAS No. 123. The new standard provides alternative methods for transition to the fair value-based method of accounting for stock-based employee compensation from the intrinsic method. GBC currently accounts for stock-based employee compensation under the intrinsic method and has not made a determination as to when, or if, the Company would change to the fair value-based method. SFAS No. 148 also amends the disclosure requirements of SFAS No. 123 to require more prominent and frequent disclosures in financial statements about the effects of stock-based compensation. The required disclosures have been adopted in the Company's consolidated financial statements.

Forward Looking Statements

Certain statements under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Report constitute "forward looking statements" within the meaning of Section 21E(I) (1) of the Exchange Act. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results and the performance of GBC to be materially different than anticipated future results

and performance expressed or implied by such forward-looking statements. Such factors include, among other things, the following: a) competition within the office products, document finishing and film lamination markets; b) the effects of economic and political conditions; c) the issues associated with the restructuring of certain of GBC's operations; d) the ability of GBC's distributors to successfully market and sell GBC's products; e) the ability of GBC to obtain capital to finance anticipated operating and capital requirements; f) the availability and price of raw materials; g) dependence on certain suppliers of manufactured products; h) the effect of consolidation in the office products industry; and i) other factors indicated in GBC's registration statements and reports filed with the SEC. These important factors may also cause the forward-looking statements made by GBC in this Report, including but not limited to those contained under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be materially different from the actual results achieved by the Company. In light of these factors, any forward-looking statements made herein should not be regarded as a representation by GBC that the Company's plans and objectives will be achieved.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2003, there were no changes with regard to market risk since December 31, 2002 that would require further quantitative or qualitative disclosure. For GBC's quantitative and qualitative disclosures about market risk for the fiscal year ended December 31, 2002, refer to pages 22-24 in GBC's Annual Report on Form 10-K.

Item 4. Controls and Procedures

Within the 90 days prior to the date of filing this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of GBC's Disclosure Committee and the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of GBC's disclosure controls and procedures pursuant to the Exchange Act Rule 15d-14. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that GBC's disclosure controls and procedures are effective in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) that would be required to be included in GBC's periodic SEC filings.

Subsequent to the date of the evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls, nor were any corrective actions required with regard to significant deficiencies and material weaknesses.

Part II OTHER INFORMATION

Item 6. Exhibits and Reports on Form-8K

- (a) Exhibit 99.1 - Certification of the Chief Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.

Exhibit 99.2 - Certification of the Chief Financial Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code.
- (b) Reports on Form 8-K: Registrant's Press Release dated April 22, 2003.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

GENERAL BINDING CORPORATION

By: /s/ Dennis J. Martin
Dennis J. Martin
Chairman, President and Chief
Executive Officer

By: /s/ Don Civgin
Don Civgin
Senior Vice President and Chief
Financial Officer

May 15, 2003

CERTIFICATIONS

I, Dennis J. Martin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Binding Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May15, 2003

/s/ Dennis J. Martin

Dennis J. Martin

Chairman, President and Chief Executive Officer

CERTIFICATIONS

I, Don Civgin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of General Binding Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation,

including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May15, 2003

/s/ Don Civgin

Don Civgin

Senior Vice President and Chief Financial Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

As adopted pursuant to

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of General Binding Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on May 15, 2003, (the “Report”), I, Dennis J. Martin, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Dennis J. Martin
Dennis J. Martin
Chairman, President and Chief
Executive Officer

May 15, 2003

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,

As adopted pursuant to

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of General Binding Corporation (the “Company”) on Form 10-Q for the period ended March 31, 2003 as filed with the Securities and Exchange Commission on May 15, 2003, (the “Report”), I, Don Civgin, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Don Civgin
Don Civgin
Senior Vice President and Chief
Financial Officer

May 15, 2003

